



## Descriptions of Additional State Initiatives to Improve Health Insurance Coverage

July 2006

This document supplements the July 2006 report, “Health Insurance Access Programs and Policies in Montana and Other Frontier States,” which summarizes health insurance access initiatives in four frontier states (Montana, Idaho, South Dakota, and Utah). The report was prepared by the State Health Access Data Assistance Center (SHADAC) for the Montana Department of Public Health and Human Services.

Descriptions of select health insurance expansion programs in five additional states (Maine, Massachusetts, New Mexico, New York, and West Virginia) are presented below. The following state initiatives are examples of broad, large-scale reforms and/or policy efforts focused particularly on vulnerable working adults, including employees of small businesses, the self-employed, and low-wage workers. Sources and web links to additional information are provided below each description.

### MAINE

**Maine’s Dirigo Health Reform Act**, signed into law in 2003, is a state-wide, comprehensive health reform effort to contain health care costs, while ensuring affordability and quality of care, and increased access for its residents. One part of the reform act, the **DirigoChoice** initiative, is a public-private partnership between Maine’s Dirigo Health Agency (the state agency responsible for overseeing the plan), Anthem Blue Cross and Blue Shield, and Maine’s Medicaid program. The initiative, which began enrollment in 2005, provides a health insurance option for small businesses with fewer than 50 employees, the self-employed, and individuals. It offers competitive discounts and substantial savings on employee contributions based on income and household size. These savings are in the form of discounts on monthly payments, lowered deductibles, and reduced out-of-pocket expenses for those with incomes under 300% of the Federal Poverty Level (FPL). Discounts of up to 100% are available on a sliding scale basis. Participating small employers are required to contribute 60% to their employees’ costs.

DirigoChoice is financed through a combination of funding sources including employer and enrollee contributions, state general funds, and federal Medicaid match funds. In its first year, other state funds were allocated to cover administrative costs and enrollee discounts. Thereafter, state funds are being replaced by health care cost savings realized from the program via legislated assessments on insurers’ gross premium revenues and third party administrators. The assessments, or Savings Offset Payments (SOP), and their determination have brought

about controversy and debate. Savings from the first year of the program have been calculated at approximately \$44 million. Enrollment under this initiative as of November 2005 was 8,675 members, including over 750 small businesses.

*Sources:*

- Dirigo Health's website: [www.dirigohealth.maine.gov/](http://www.dirigohealth.maine.gov/)
- 2004 National Academy of State Health Policy report on Dirigo: [www.statecoverage.net/statereports/me20.pdf](http://www.statecoverage.net/statereports/me20.pdf)
- 2006 State Coverage Initiatives Report on the State of the States: [www.statecoverage.net/pdf/stateofstates2006.pdf](http://www.statecoverage.net/pdf/stateofstates2006.pdf)
- 2005 State Coverage Initiatives Profiles in Coverage: Maine Dirigo: [www.statecoverage.net/maineprofile.htm](http://www.statecoverage.net/maineprofile.htm)

## **MASSACHUSETTS**

The Massachusetts' Governor signed a comprehensive bill on April 12, 2006 aimed at expanding affordable health insurance coverage to all residents in the state. The bill, **An Act Providing Access to Affordable, Quality, Accountable Health Care**, gives fiscal responsibility to the state government, health care providers, employers, and individuals in addressing the issue of uninsurance within the state. Key components of the legislation include:

- Creation of the "Commonwealth Health Insurance Connector," a mechanism for small businesses and individuals to be connected with insurance products (incorporating pre-tax advantages and subsidies), which will be located under the auspices of the Department of Administration and Finance and overseen by a separate board;
- Medicaid eligibility expansion for children with family incomes up to 300% FPL;
- Restoration of previously reduced Medicaid benefits;
- Merger of the small and non-group markets;
- Low-cost products specifically targeted to young adults;
- Moratorium on new mandated benefits;
- An individual mandate, requiring all individuals with ample resources to purchase health insurance; and
- Elimination of the state's Uncompensated Care Pool.

Funding for the overall initiative is to come from federal match dollars, employer contributions, redirection of Uncompensated Care Pool funds, the state's General Fund, and individuals who are required to purchase health insurance coverage. The Act's provisions take effect in 2006 and 2007.

*Sources:*

- Massachusetts House bill: <http://www.mass.gov/legis/bills/house/ht04/ht04850.htm>
- 2006 Health Care Access and Affordability Conference Committee Report: <http://www.mass.gov/legis/summary.pdf>  
<http://www.mass.gov/legis/sections.pdf>
- Presentation to the Joint Caucus for House Members: <http://www.mass.gov/legis/presentation.pdf>
- March 2006 Commonwealth Fund Newsletter: [www.cmwf.org/publications/publications\\_show.htm?doc\\_id=362631&#mass](http://www.cmwf.org/publications/publications_show.htm?doc_id=362631&#mass)

## NEW MEXICO

New Mexico has implemented a number of programs as part of their broader Insure New Mexico! initiative, several of which target employees of small businesses, the self-employed, and other working adults. One such initiative is the **New Mexico Health Insurance Alliance** (NMHIA), a reinsured purchasing pool for small employers and the self-employed. The Alliance (managed by a board of directors) partners with carriers to provide coverage to self-employed workers and their families and to small businesses with 50 or fewer workers (working at least 20 hours per week). NMHIA does not require employer contribution but mandates 50% participation from a firm's eligible employees. The initiative, created in 1994, manages risk through conventional/ private reinsurance premiums and periodic assessments on the 400 carriers in the state. NMHIA withholds 5% of the premiums for reinsurance in the first year of coverage for small groups and approximately 10% in subsequent renewal years, along with administrative charges. Every year the reinsurance fund is used to reimburse participating health plans the amount by which incurred claims and reinsurance premiums exceed 75% of earned premiums. If losses are in excess of reinsurance funds, an assessment on insurers is triggered. Enrollment under this initiative has been as high as 8,800 lives, but recent years have seen this figure decline.

### *Sources:*

- NMHIA website: <http://www.nmhia.com/>
- Chollet, D. (2004). The Role of Reinsurance in State Efforts to Expand Coverage. Vol. V. No. 4. Washington DC: State Coverage Initiatives, AcademyHealth. Available at: [www.statecoverage.net/pdf/issuebrief1004.pdf](http://www.statecoverage.net/pdf/issuebrief1004.pdf)
- Silow-Carroll, S., T. Alteras, and J. Meyer. (2001). Expanding Employment-Based Health Coverage: Lessons from Six State and Local Programs. Washington DC: Economic and Social Research Institute. Available at: [www.cmwf.org/usr\\_doc/silow-carroll\\_6profiles\\_445.pdf](http://www.cmwf.org/usr_doc/silow-carroll_6profiles_445.pdf)

New Mexico also has implemented the **Small Employer Insurance Program** (SEIP), a state-operated, self-funded pool for small employers. In 2004, a proposal was submitted to establish a buy-in to the state employee health plan for small employers, including nonprofits, with 50 or fewer employees who had not been offered health insurance for at least 12 months. A variation of this plan, SEIP, was passed by the legislature and signed into law in March 2005. While it is administered by the state (General Services Department, Risk Management Division), SEIP is set up as a separate pool funded by employer/employee premiums and stop-loss reinsurance (no direct general funds are used). Benefits, however, are similar to those available to state employees. Enrollment is estimated at 3,000 for first year of implementation in 2006 and is targeted at employees with incomes above 200% FPL.

### *Sources:*

- SEIP website: <http://www.state.nm.us/gsd/rmd/seip.html>
- 2004 and 2005 Reports from Insure New Mexico! Council:  
<http://www.insurenwnewmexico.state.nm.us/>  
[www.insurenwnewmexico.state.nm.us/documents/INSURENMRecommendations.pdf](http://www.insurenwnewmexico.state.nm.us/documents/INSURENMRecommendations.pdf)  
[www.insurenwnewmexico.state.nm.us/documents/2005\\_Insure\\_NM\\_Report\\_to\\_Governor.pdf](http://www.insurenwnewmexico.state.nm.us/documents/2005_Insure_NM_Report_to_Governor.pdf)

With funding from the Robert Wood Johnson Foundation's State Coverage Initiatives program, New Mexico also has recently implemented (in 2005) another program targeted to employed adults. Instead of providing premium assistance for use toward employer-sponsored insurance, the **New Mexico State Coverage Initiatives (SCI) Program** creates a new employer-based insurance product. The product is intended for uninsured, low-income ( $\leq 200\%$  FPL) employed adults and is delivered by managed care organizations, with whom the state (Human Services Department) has contracted for the program. Benefits include inpatient/outpatient hospital care, primary and specialty care, prescription drugs, lab and x-ray services, therapies, and behavioral/substance abuse services. Financing for the program comes from unspent SCHIP funds as well as employer/employee contributions. Employer premiums are \$75 per person per month; employees' premium requirements range from \$0-\$35 depending on income; and self-employed enrollees are responsible for both employer and employee premium costs. Approximately 2,300 enrollees and 800 pending applications were in place by November 2005.

#### **Sources**

- New Mexico State Coverage Insurance:  
<http://nmsci.state.nm.us/nmscihome.aspx>  
<http://www.state.nm.us/hsd/mad/sci.html>
- 2006 State Coverage Initiatives Report on the State of the States:  
[www.statecoverage.net/pdf/stateofstates2006.pdf](http://www.statecoverage.net/pdf/stateofstates2006.pdf)
- 2006 State Coverage Initiatives Profiles in Coverage: New Mexico State Coverage Insurance  
<http://www.statecoverage.net/newmexicoprofile.htm>
- CMS HIFA Initiative Fact Sheet. Available via:  
[www.cms.hhs.gov/MedicaidStWaivProgDemoPGI/MWDL/itemdetail.asp?filterType=none&filterByDID=-99&sortByDID=2&sortOrder=ascending&itemID=CMS046238](http://www.cms.hhs.gov/MedicaidStWaivProgDemoPGI/MWDL/itemdetail.asp?filterType=none&filterByDID=-99&sortByDID=2&sortOrder=ascending&itemID=CMS046238)

## **NEW YORK**

**Healthy New York (HNY)** is an example of a state-subsidized reinsured purchasing pool for small employers (50 or fewer employees), sole proprietors, and individuals whose employer does not offer coverage. Established in 2001 and managed by the Department of Insurance, HNY contracts exclusively with HMOs to offer a standardized insurance product. Benefits include inpatient/hospital care, physician services, lab and x-ray services, preventive care, maternity care, and therapeutic care. Prescription drugs are the only benefit HMOs have the *option* of providing. To ensure that HNY truly meets the needs of the low-wage earners, 50% of the firm's eligible employees are required to participate, 30% of the firm's employees must earn less than \$32,000, and the firm must not have provided comprehensive coverage to its employees in the last year. Generally, sole proprietors and individuals must have been employed and uninsured in the last year. Premiums and co-payments apply to covered services. Funded in part through the Tobacco Settlement Fund, HNY assumes the risks of high-cost care through a publicly-subsidized excess-of-loss reinsurance program. Initially, HNY paid 90% of the claims between \$30,000 and \$100,000, with the HMO responsible for the remaining 10%. The HMO is fully responsible for expenses greater than \$100,000. In 2003, reinsurance levels were revised. Plans are currently reimbursed for 90% of claims paid between \$5,000 and \$75,000 which has reduced HNY's premiums by 17% on average. As of October 2005, HNY had 102,500 enrollees.

*Sources:*

- Healthy New York website: <http://www.ins.state.ny.us/website2/hny/english/hny.htm>
- Swartz, K. (2005). Reinsurance: How States Can Make Health Coverage More Affordable for Employers and Workers. New York NY: The Commonwealth Fund. Available at: [http://www.cmf.org/usr\\_doc/820\\_swartz\\_reinsurance.pdf](http://www.cmf.org/usr_doc/820_swartz_reinsurance.pdf)
- State Coverage Initiatives Website: [www.statecoverage.net/matrix/reinsurance.htm](http://www.statecoverage.net/matrix/reinsurance.htm)
- 2005 State Coverage Initiatives Profiles in Coverage: Healthy New York  
<http://www.statecoverage.net/newyorkprofile.htm>

## **WEST VIRGINIA**

The **West Virginia Small Business Plan**, passed in 2004, is a public-private partnership among private insurers, small employers with 2-50 employees, hospitals/physicians, and the West Virginia Public Employees Insurance Agency (PEIA). The PEIA is a self-insured state health insurance program for state employees, employees of state universities and colleges, and county boards of education. PEIA is divided into three risk pools—one for all the active employees in the organizations mentioned above, the second for local county and municipal employees, and the third for retired employees who participated in PEIA prior to their retirement. Originally, for the purposes of the Small Business Plan, small businesses were to buy into the local agency pool; however, there were concerns about potential increase in costs due to the inclusion of the new group. Following this sentiment, the legislature instead elected to allow private market insurers to use PEIA provider reimbursement rates under the Small Business Plan. All players within the plan assume responsibility in affordable health insurance to uninsured employees with up to 25% reduction in premium costs. This is achieved through PEIA's buying power and provider reimbursement rates which average 20-25% below private market rates. Employers are responsible for at least 50% of the premium, and 75% of their eligible employees are required to participate. Health care providers who agree to accept the lower reimbursement rates may volunteer to be part of the plan network. Any carrier within the state may provide a Small Business Plan policy; however, a policy must be similar to commercially-available plans and approved by the Insurance Commissioner. As of January 2005, only one carrier in the state offered a policy under the plan. Instead of state funds to implement the plan, start-up costs have been covered by a multi-year grant from The Robert Wood Johnson Foundation under the State Coverage Initiatives program. The grant, scheduled to end in 2006, is with the West Virginia Health Care Authority. The West Virginia Insurance Commission oversees the Small Business Plan and will continue in this capacity beyond the grant cycle. As of fall 2005, 500 individuals representing approximately 100 small businesses were enrolled under the initiative.

*Sources:*

- West Virginia Small Business Plan web site: [www.wvsbp.org/index.html](http://www.wvsbp.org/index.html)
- 2005 State Coverage Initiatives Profiles in Coverage: West Virginia Small Business Plan:  
[www.statecoverage.net/westvirginiaprofile.htm](http://www.statecoverage.net/westvirginiaprofile.htm)
- 2006 State Coverage Initiatives Report on the State of the States:  
[www.statecoverage.net/pdf/stateofstates2006.pdf](http://www.statecoverage.net/pdf/stateofstates2006.pdf)